



NOV 25 1983

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(4) of the Internal Revenue Code.

The information submitted disclosed that you were incorporated on [REDACTED] under the nonprofit statutes of the State of [REDACTED].

Your purposes briefly stated are to provide for maintenance, preservation and architectural control of the residence lots and common area within the [REDACTED] subdivision.

All persons purchasing property within the subdivision automatically become members of this organization. Members are subject to the Declaration of Covenants Conditions and Restrictions which provides information regarding construction, management and care of the association's property.

The Association has indicated that they have only one common area which consists of a park. The park has the following recreational facilities: basketball court, swimming pool, horse shoe pit, picnic tables and miscellaneous play ground equipment (swings, etc.). This common area is available only to homeowners.

Section 501(c)(4) of the Internal Revenue Code provides exemption for:

"Civic Leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare..."

Section 1.501(c)(4)-1(c)(2)(i) of the Income Tax Regulations provides that:

"An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterment and social improvements."

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
		[REDACTED]					
Surname		[REDACTED]					
Date		11-25-83					

Revenue Ruling 72-102, 1972-1, C.B. 149 held that a nonprofit organization formed to preserve the appearance of a housing development and to maintain streets, sidewalks, and common areas for use of the residents is exempt under section 501(c)(4) of the Code.

Revenue Ruling 74-99, 1974-1 C.B. 151 modified Revenue Ruling 72-102 and required that a homeowners association, to qualify for exemption under section 501(c)(4) of the Code, (1) must serve a "community" which bears a reasonable recognizable relationship to an area ordinarily identified as governmental, (2) it must not conduct activities directed to the exterior maintenance of private residences, and (3) the common areas or facilities it owns and maintains must be for the use and enjoyment of the general public. It stated that, while an exact delineation of the boundaries of a "community" contemplated by section 501(c)(4) is not possible, the term as used in that section has traditionally been construed as having reference to a geographical unit bearing a reasonably recognizable relationship to an area ordinarily identified as a governmental subdivision or a unit or district thereof. It further clarified that Revenue Ruling 72-102 was intended only to approve ownership and maintenance by a homeowners' association of such areas as roadways and parklands, sidewalks and streetlights, access to, or the use and enjoyment of which is extended to members of the general public, as distinguished from controlled use or access restricted to the members of the homeowners' association.

Because membership in your organization is limited to property owners in the Strawberry Acres subdivision; your activities are not limited to the ownership and maintenance of areas such as roadways, parklands, sidewalks and street lights; your common areas are not open to the general public; and based on the information provided it does not appear that the area represented would bear a reasonable recognizable relationship to an area ordinarily identified as governmental, you are organized and operated for the private benefit of your members. Therefore, you do not qualify for recognition of exemption under section 501(c)(4) of the Code. You are required to file an annual Federal income tax return on Form 1120.

If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 6018 in the enclosed self-addressed envelope as soon as possible.

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that set forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The enclosed Publication 22 gives instructions for filing a protest.

[REDACTED]

If you do not file a protest with this office within 30 days of the date of this report or letter, this proposed determination will become final.

If you have any further questions, please contact the person whose name and telephone number are shown at the beginning of this letter.

Sincerely yours,

[REDACTED]
District Director

Enclosures:

Form 6018

Publication 892